

## Selecting a Retirement Option

Selecting a retirement option is an important decision, requiring a thorough understanding of the various options and careful consideration of your future financial commitments. The staff of the Kentucky Teachers' Retirement System (KTRS) is available to assist you as much as possible in making a wise decision by providing you with information about how the various retirement options work.

Some important general facts about KTRS retirement options are as follows:

1. Most KTRS retirement options will provide, in the event of your death, a survivor annuity in the form of a monthly payment that is payable to your designated beneficiary for the rest of his or her life. This post-retirement survivor annuity should not be confused with pre-retirement survivor benefits that are payable to eligible survivors upon the death of an active contributing member who has not yet retired. If you wish to provide a post-retirement survivor annuity for a beneficiary, you must designate on your retirement application one of the retirement options that will provide an annuity to your beneficiary in the event of your death as a retiree. If you select such a retirement option, you will need to provide KTRS a copy of your beneficiary's official, government certified birth certificate and signed Social Security card.
2. The beneficiary of a retirement option does not have to be related to the retiree. Members who select Option I or Option II may change their beneficiary any time after their initial retirement date without changing their retirement option.
3. Before selecting an option, you and your beneficiary may wish to consider having thorough medical examinations. The option selected may well depend on the physical condition of you both.

4. For most KTRS members, the KTRS annuity will constitute the major source of their retirement income. This may be true for you as well. Accordingly, selecting the option under which KTRS will pay your retirement income is one of the most important decisions you will ever make. The final decision must be made at retirement, and should take into account your individual circumstances at that time. A thorough understanding of the retirement options prior to your retirement will assist you in deciding wisely. KTRS staff will work with you to help you understand the various options. The final decision, however, must rest with you.

## Changing Your Retirement Option

You may be able to change your retirement option if you experience one of the qualifying events as follows:

1. You marry or remarry after your effective date of retirement;
2. Your beneficiary dies;
3. Your marriage ends by divorce, annulment, or dissolution and your spouse is the named beneficiary. This qualifying event is effective on the *first* day that an order is entered by a court terminating your marriage and restoring you to the status of a non-married person.

**If you have experienced one of these qualifying events and you are otherwise eligible to change your retirement option, you will have 60 days from the date of the qualifying event to make the change by filing with KTRS the appropriate form. In addition to the appropriate KTRS form, you will also be required to file copies of any relevant documentation establishing that a qualified event has occurred such as an order of the court terminating your marriage or a certificate of marriage.**

There are several conditions and limitations in changing retirement options that cannot be fully discussed within the space of this pamphlet. Accordingly, if you experience a qualifying event and are interested in changing your retirement option, you should contact KTRS immediately for further details.

## OPTION I SLA with Refundable Balance

The Straight Life Annuity (SLA) provides you with the greatest retirement allowance over your lifetime, but annuity payments cease upon your death. Unlike a joint-survivor annuity, there is no survivor annuity payable to a surviving beneficiary. If, upon your death, the total monthly retirement payments you received are less than the remaining contributions in your retirement account, a lump sum refund will be made to your estate or beneficiary.

You may later switch to a joint-survivor annuity if you marry or remarry after retirement. A copy of your official, government-certified marriage certificate must accompany your application for a joint-survivor annuity. The effective date of your new option selection will be the first of the month following receipt of the application by KTRS.

A joint-survivor annuity designating your new spouse as beneficiary will reduce your monthly annuity, but it will provide a continuing benefit to your new spouse after your death. In some cases, the reduction is substantial. You have 60 days from the date of the marriage to file the necessary paperwork with KTRS to change your retirement option.

## OPTION II Ten Years Certain and Life Thereafter

This option provides you with a monthly retirement annuity that is somewhat smaller than the annuity provided under Option I. Under Option II, in the event of your death within the first ten (10) years of your retirement, your beneficiary would receive the same monthly annuity that you were receiving at the time of your death until the expiration of the ten (10) year period. If you

survive beyond the ten (10) year period, you will continue to receive for the rest of your life the monthly retirement annuity that you were receiving during the ten (10) year period, but your beneficiary will no longer be eligible for a monthly annuity in the event of your death. The age of the beneficiary does not matter under this option.

This option is of value if you wish to insure that a guaranteed amount will be returned over a specified length of time.

Years certain payment options of five (5), fifteen (15) and twenty (20) years are also available.

## OPTION III Joint - Survivor Annuity

This option provides you with a smaller annuity than that provided under Option I, but provides your designated beneficiary, if still living at the time of your death, with a lifetime annuity equal to the annuity that you were receiving at the time of your death. As this option provides a retirement allowance to your surviving beneficiary for the rest of your surviving beneficiary's life, the greater the difference between your and your beneficiary's ages, the smaller the retirement allowance that you will receive. This option is most useful when you have other income available that will cease upon your death or when your beneficiary's primary income will be the KTRS annuity.

In the event of divorce, annulment, or marriage dissolution, you may return to Option I if your spouse was named as beneficiary. If you remarry after a divorce, you may select a new option to provide a survivor annuity to your new spouse. The annuity will be actuarially equivalent to your Option I benefit. **You have 60 days from the date of the divorce, annulment, or the marriage dissolution to make this change with KTRS and return to Option I.**

If your beneficiary predeceases you under this option, you cannot return to Option I. You must continue receiving the reduced annuity. If you marry after retirement, you can provide your new spouse with a joint-survivor annuity. The new annuity is based on your reduced annuity, adjusted to the ages of you and your new spousal

beneficiary. **You have 60 days from the date of marriage to make this change with KTRS.**

***NOTE:** Under this option, if you select as your beneficiary a person other than your spouse, an Internal Revenue Service regulation may require a substantial reduction in the annuity your beneficiary would be eligible to receive. Please contact KTRS to determine whether your non-spouse beneficiary designation is affected by this regulation.*

**OPTION III(a)  
Joint - Survivor Annuity  
with “Pop-Up” Option**

This option is the same as Option III except that if your beneficiary dies before you, your annuity will increase to the Option I amount that was available to you at retirement. If you marry after the death of your beneficiary, you may select a joint - survivor option to provide a survivor annuity to your new spouse. The annuity will be adjusted so that it is of an actuarially equivalent value to the benefits you would receive under Option I. **You have 60 days from the date of marriage to make this change with KTRS.**

***NOTE:** Under this option, if you select as your beneficiary a person other than your spouse, an Internal Revenue Service regulation may require a substantial reduction in the annuity your beneficiary would be eligible to receive. Please contact KTRS to determine whether your non-spouse beneficiary designation is affected by this regulation.*

**OPTION IV  
Joint - Survivor Annuity  
One-Half Annuity to Surviving  
Beneficiary**

Under this option, you would receive a reduced lifetime annuity to provide a lifetime annuity to your beneficiary upon your death. Your beneficiary’s annuity would be one-half of the annuity that you were receiving.

This option is based upon the theory that it costs more for two to live than for one. Also, in some

instances, other income may become available to the beneficiary upon the member’s death such as life insurance and/or trust proceeds. This option provides a larger retirement allowance during your lifetime than Option III does and still provides something for your beneficiary. The age of your beneficiary has a direct bearing on the annuity amount.

The restrictions that apply to Option III regarding changing options also apply to this option.

**OPTION IV(a)  
Joint - Survivor Annuity  
One-Half Benefit to Beneficiary  
with “Pop-Up” Option**

This option is the same as Option IV except if your beneficiary dies before you, your annuity increases to the Option I amount. The restrictions that apply to Option IIIa regarding changing plans also apply to this plan.

**OPTION V  
Other Payment**

In most cases the options provided in Options I through IV(a) will meet the needs of the members and their estates. However, the Board of Trustees recognizes that there may be situations where some alternate plan of payment is desirable.

Option V allows you to create an alternative retirement option and designate as beneficiary any person(s) having an insurable interest in your life. Such an option shall be certified by the actuary to be of an actuarial equivalent value to the annuity provided under Option I and must be approved by the Board of Trustees.

This option, in addition to the other options available, makes it possible for the member to select almost any kind of annuity payment plan desired.

The changes that can be made under this option can be provided to you at retirement. Please contact KTRS if you desire more information.

**Beneficiary's Birth Record and Social  
Security Card**

An official, government certified birth certificate and signed Social Security card of your beneficiary is required if you select a “Joint - Survivor Annuity” [Options III, III(a), IV, IV(a), or V].

***This pamphlet is intended for general informational purposes only. In the event of conflict between the provisions of this pamphlet and the relevant law, the latter will prevail. As the law is subject to change, you should contact KTRS prior to making important retirement decisions.***

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**KENTUCKY  
TEACHERS'**  
Retirement System



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OPTIONS**

- ◆ **SELECTING A  
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OPTIONS**
- ◆ **BENEFICIARY'S BIRTH  
RECORD & SOCIAL  
SECURITY CARD**

Please see our web site  
[www.ktrs.ky.gov](http://www.ktrs.ky.gov) for legislative  
changes to KTRS accounts opened  
on or after July 1, 2008.

*Based on Statutes & Regulations  
effective July 1, 2013*